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Bureau of Agricultural Economics
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THE WOOL SITUATION

Summary

Wool prices in the United States and in foreign markets during the first 6 months of 1938 will be affected by large supplies of raw wool, with no immediate prospect for recovery in mill consumption. Hence, little if any advance in domestic prices from present levels seems probable during the first half of this year, says the Bureau of Agricultural Economics.

Stocks of wool in this country are now much larger than a year earlier since consumption in the next 3 or 4 months is expected to be considerably smaller than in 1937, stocks on about April 1, when the new domestic clip becomes available, probably will be materially larger than a year earlier. The increase in stocks at the beginning of April over a year earlier, however, may be less than the increase on January 1 inasmuch as imports of wool in early 1938 no doubt will be much smaller than the large imports in early 1937.

Mill consumption of apparel wool in the United States in December was more than 60 percent smaller than in December 1936 and was the smallest consumption for the month since 1920. Because of the large consumption in the early months of 1937 consumption on a scoured basis for that year was only 11 percent smaller than in 1936 and 18 percent smaller than in 1935.

United States imports of apparel wool for consumption amounted to 150 million pounds in 1937, the largest since 1926. Most of the 1937 imports, however, were received early in the year. Since last May imports have declined sharply and in November and December they were about 70 percent smaller than a year earlier.

Smaller imports of wool by manufacturing countries in the second half of 1937 resulted in accumulations of stocks of raw wool in Southern Hemisphere producing countries. On January 1 apparent supplies for disposal during the remainder of the current season exceeded those of a year earlier by 14 percent and the 5-year (1932-36) January 1 average by 8 percent. Indications are that stocks of raw wool remain relatively small in most foreign importing countries.

The improvement reported in foreign wool markets during December was not maintained in January and trading in the domestic market was light. The failure of domestic mills to resume buying in January even at the moderate rate of December, and the weakness of prices in foreign markets, were accompanied by small declines in domestic wool prices in the second half of the month.

DOMESTIC SITUATION

BACKGROUND.- During the spring of 1937 domestic wool prices reached the highest level since 1929 but declined more than 30 percent by the end of the year. At the beginning of 1938 domestic wool prices were lower than at any time since 1935. The drop in prices in this country reflects (1) the decrease in mill consumption since last summer, (2) the recession in industrial activity and in the business situation generally, (3) larger world supplies of wool, (4) larger stocks of wool in this country, and (5) weakness in foreign wool prices since last September. Despite the recent marked decline in domestic wool prices they are still high in relation to prices of other textile raw materials.

Wool Sales and Prices

Trading was light in the Boston wool market during January. The failure of mills to resume buying, even at the very moderate rate of December, and the weakness of prices in foreign wool markets, were reflected in further declines in domestic wool prices in the second half of the month.

At Boston nominal quotations for fine Delaine fleece wools remained unchanged at 31-32 cents a pound in the grease, in January. Prices for other grades of spot graded fleece wools declined 1 to 2 cents, grease basis, on small sales. Mid-west dealers offered country graded 3/8 and 1/4 blood bright fleeces in mixed grade lots at 27-28 cents in the grease delivered to Eastern markets, compared with 30-32 cents a pound quoted for similar wools in December.

Only fine and 1/2 blood grades of territory wools were sold in sizable quantity during January. Prices on graded fine French combing territory and 12-month Texas wools declined 3 to 4 cents a pound, scoured basis, during the month.

Sales of foreign apparel wools at Boston were small in January. Spot prices on such wools declined slightly in line with the trend in foreign markets. Receipts of foreign wool in Boston were small and little interest was shown in placing of orders abroad.

Prospects for Domestic Wool Prices in 1938

World wool prices in the first half of 1938 will be affected by large supplies of raw wool, with no immediate prospect for recovery in mill consumption. Hence, little if any advance in domestic prices from present levels seems probable during the first half of this year. Since stocks of wool in this country are much larger than a year earlier and since consumption in the next 3 or 4 months is expected to be considerably smaller, stocks on about April 1, when the new domestic clip becomes available, probably will be materially larger than a year earlier. The increase in stocks at the beginning of April over a year earlier, however, may be less than the increase on January 1, because imports of wool in early 1938 will be much smaller than the large imports in early 1937.

Mill consumption during the last three quarters of 1938 will depend partly upon changes in the general business situation. The present large inventories of finished and semi-finished goods probably will be fairly well used up during the winter and spring. Thus if there is a pickup in business conditions and in employment and payrolls later in 1938, some improvement in mill consumption probably will occur during the last half of the year.

In considering prospects for mill consumption in 1938, it should be recognized that consumption in the 3-year period 1935-37 was larger than in any other 3-year period since 1922-24. To some extent this large consumption was a reflection of delayed purchases by consumers during the depression. Nevertheless, a considerable part of the increased manufacture of wool goods probably was used to supply needs which may not recur soon. It is possible therefore, that consumption for the entire year 1938 will be much smaller than in 1937.

The decline in wool prices in foreign markets has not been so great as the drop in the United States. Consequently, the spread between domestic and foreign prices has been reduced in recent months; and in early January it was narrower on most wools than at any time in the past 2 years, and was less than the tariff differential. With imports not needed in large volume, the spread is not likely to widen much, if any, in the next few months.

Wool Stocks

Supplies of all wool in the United States at the beginning of 1938 were considerably larger than a year earlier. Stocks of wool in the hands of dealers and manufacturers, on ranches and farms, and in local country warehouses in the 13 western sheep states on January 1 were reported to be about 270 million pounds, grease basis, compared with about 207 million pounds a year earlier. These reported figures on stocks at the beginning of 1938, however, are considerably smaller than the indicated stocks at the beginning of the year as computed from stocks reported on January 1,1937, plus domestic mill consumption, production and imports for 1937. That is, if stocks at the beginning of 1937, domestic production, and imports for the year are added together and mill consumption for 1937 deducted from this total the indicated stocks of apparel wool at the beginning of 1938 are about 315 million pounds compared with reported stocks of 270 million pounds. In 1936 and 1937 the indicated stocks at the beginning of the year were smaller, rather than larger, than the reported stocks. It is possible, therefore, that the reported stocks at the beginning of 1938 are understated by a substantial amount.

The proportion of stocks held by producers this year is much larger than a year earlier. At the beginning of 1938, it was estimated that about 31 million pounds of wool were so held in the Western States compared with less than 2 million pounds a year earlier.

Stocks reported by dealers and manufacturers on December 31, 1937, with comparisons, are shown on a scoured equivalent basis in the accompanying table. These figures include wool afloat and in bonded warehouses, but they do not include wool held on farms and ranches and in local warehouses in the producing States.

Stocks of raw wool, top and noil held by dealers, topmakers and manufacturers in the United States, scoured basis, December 31, 1937 with comparisons

Item	1936	1937	
	Dec. 31, 1/	Sept. 25, 1/	Dec. 31,
	1,000 pounds	1,000 pounds	1,000 pounds
Apparel wool, total	129,204	135,353	117,849
Dealers	54,125	73,600	71,816
Domestic	32,164	62,700	62,243
Foreign on hand	9,298	10,645	9,221
Foreign afloat	12,663	255	352
Manufacturers and topmakers	75,079	61,753	46,033
Domestic	47,543	38,831	30,073
Foreign on hand	15,206	21,826	15,448
Foreign afloat	12,330	1,096	512
Carpet wool, total	37,870	42,282	44,482
Dealers	3,388	2,802	3,592
Manufacturers	34,482	39,480	40,890
Tops	22,072	32,372	29,859
Noils	12,175	12,138	10,150

Compiled from Bureau of the Census. Quarterly Wool Stock Report, December 31, 1937. The stocks are believed to include more than 96 percent of the total stocks held by and afloat to all dealers (including commission houses, pullers and cooperatives), topmakers, and manufacturers in the United States on the dates specified.

1/ Revised.

Wool Imports

United States imports of apparel wool for consumption amounted to about 2.8 million pounds in December, only a fourth of what they were in December 1936 and the smallest December imports since August 1935. Imports of such wool for the entire year 1937 were 150 million pounds compared with 111 million pounds in 1936 and 42 million pounds in 1935. Though total imports of apparel wool for the calendar year 1937 were the largest since 1926, most of the 1937 imports entered this country in the first half of the year, when stocks of raw wool in the United States were small. Imports have decreased sharply since last May.

Imports of carpet wool into the United States in 1937 apparently surpassed all previous years. Imports for consumption totaled 172.1 million pounds compared with 143.3 million pounds in 1936, and the previous record of 171.4 million pounds in 1929. Carpet wool imports were unusually large in the first half of 1937. Imports declined sharply in the second half of the year, but consumption also declined and stocks of carpet wool in the United States at the beginning of 1938 were larger than a year earlier.

Mill Consumption

Mill consumption of apparel wool in the United States in December averaged 2,605,000 pounds, scoured basis, per week. This was 60 percent smaller than the average in March and was 63 percent smaller than in December 1936. Consumption in December was the smallest for any month since September 1934 and the smallest December consumption since 1920.

Consumption on a scoured basis for the entire year 1937 was 11 percent smaller than in 1936 and 18 percent smaller than in 1935. The decrease in mill consumption since early 1937 has been the result of several factors. Wool prices in 1937 were high in relation to prices of other textile raw materials. Consumers needs for wool goods, which had been unfilled during the depression, apparently were largely replenished in 1935 and 1936. Thus with mill consumption continuing large in the first half of 1937 there was a considerable accumulation of stocks of finished and semi-finished wool goods by the fall of the year. The current business recession also has been an important factor in the decline in consumption.

Mill consumption in the year 1937 was equivalent to 424 million pounds of shorn wool, greasy shorn basis, and 68 million pounds of pulled wool, greasy pulled basis. Consumption on a grease basis in 1936 was equivalent to 496 million pounds of shorn wool and 79 million pounds of pulled wool.

FOREIGN SITUATION

Wool Sales and Prices

The improvement reported in foreign wool markets in December was not maintained in January. There were however, some indications of stability at the end of January.

Prices at the opening of the 1938 series of London wool sales on January 18 were equal to or only slightly lower than at the close of the previous London sales in November but opening prices were not fully maintained during the January sales. At the close of the series on February 3, prices of merino wools were 5 to 7-1/2 percent lower than in November, greasy fine crossbreds were 10 percent lower and greasy medium crossbreds 5 percent lower. Prices of greasy low crossbreds and all scoured crossbreds were equal to November prices while sliped wools were 7-1/2 to 10 percent higher than in November. Prices of fine and medium wools at the London sales in January were about 30 percent lower than in January 1937.

Average prices for fine warp wool in Australia and the Union of South Africa in December were slightly higher than in November but were about 20 percent lower than in December 1936. Limited buying by Japan and the United States at the January Australian sales was accompanied by lower prices.

The South American markets reported some improvement in December. Sales were larger than in the 2 previous months and prices advanced. Sales and prices remained far below last season, however, with little demand from United States buyers.

Wool Supplies in Southern Hemisphere, January 1

Wool supplies in the Southern Hemisphere at the beginning of 1938 were large. Apparent supplies 1/ as of January 1, exceeded those of a year earlier by 14 percent and the January 1 average for the 5 years, 1932-36 by 8 percent.

There appears to be a great similarity in the supply situation during the current season and that of 1934-35. Supplies at the beginning of this year were within 1 percent of the available quantity as of January 1, 1935. This similarity also applies to supplies for the entire season, and to exports up to December 31. It should be noted, however, that supplies this season are mostly of the current season's clip, whereas on January 1, 1935, there was a large quantity of low crossbred carry-over wool on hand. The price recession in the Southern Hemisphere this season, moreover, has not been so great as it was in 1934-35. At that time a decline of 48 percent occurred in the price from the peak in January 1934 to December 1935 whereas this season the decline was only 31 percent.

Normally a little more than a third of the exportable surplus in the Southern Hemisphere is shipped by the end of December. This season a little over a fourth had been shipped by that date, leaving considerably larger-than-usual stocks to be disposed of during the first half of 1938.

1/ Carry-over from preceding season plus estimated production, minus exports to December 31. The relatively small quantities sold but not yet exported and the quantity entering domestic consumption has not been taken into account in this computation.

Apparent supplies 1/ of wool remaining for disposal in five principal Southern Hemisphere countries as of January 1, 1932 to 1938

Period	Australia	New Zealand	Union of South Africa	Argentina	Uruguay	Total
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1932	572.3	309.6	231.7	335.3	77.2	1,526.1
1933	626.5	326.7	169.8	330.4	80.5	1,533.9
1934	494.9	294.2	163.2	290.2	57.6	1,300.1
1935	699.0	273.7	165.6	335.2	108.4	1,581.9
1936	560.0	325.2	136.0	327.0	92.3	1,440.5
5-year average 1932-36	590.5	305.9	173.3	323.6	83.2	1,476.5
1937	546.3	287.8	167.2	315.1	87.3	1,403.7
1938	637.1	295.5	195.2	365.6	106.7	1,600.1

1/ Carry-over from preceding season plus estimated production minus exports from beginning of season to end of November. No account taken of relatively small quantity sold but not exported and that used for domestic consumption.

Exports from Southern Hemisphere in First Part of 1937-38 Season

The outstanding features of the 1937-38 Southern Hemisphere wool season to date compared with the corresponding period of last year are the general falling-off in exports to the United Kingdom, Belgium, and Japan, and the large increase in shipments to Germany.

Wool exports to the United States from Southern Hemisphere countries have been negligible so far this season. From July 1 to December 31, Australia and New Zealand exported approximately 3 million pounds to the United States compared with 44 million pounds in the same period of 1936. Exports to the United States from October through December from Argentina and Uruguay were less than 2 million pounds compared with 29 million pounds in the same period of 1936.

Exports from the five 2/ Southern Hemisphere countries from the beginning of the current season to the end of December 1937 amounted to 571 million pounds, and were 22 percent smaller than in the same period of the 1936-37 season and 21 percent smaller than the 5-year average for these months. Exports so far this season, however, exceeded those of the same period of 1934-35, by 1 percent, but with that exception they were the smallest for the period 1927-28 to 1936-37. Shipments from the three British Empire countries of the Southern Hemisphere were 15 percent smaller than the 5-year average while those from South America were 50 percent smaller.

2/ Australia, New Zealand, Union of South Africa, season begins July 1. Argentina and Uruguay, season begins October 1.

Supplies in Importing Countries

In the last 6 months of 1937 European countries and Japan imported considerably less wool from the Southern Hemisphere than they did in the last half of 1936. The reduced imports reflected the decline in mill consumption of wool in those countries, but indications are that stocks of raw wool remain relatively small in most foreign importing countries.

Manufacturing Activity in Importing Countries

Manufacturing activity in the wool textile industries of most foreign countries declined during the second half of the year. Current activity is based largely on old contracts and new business is reported to be small.

Mill consumption of imported wool in the United Kingdom in 1937 was unofficially estimated to be about 15 percent smaller than in 1936 with most of the decline occurring in the second half of the year. The British Ministry of Labour reports that 17.9 percent of insured persons in the woolen and worsted industry were registered as unemployed on December 13 compared with 15.5 percent a month earlier and with 6.4 percent in December 1936. Unemployment in December was the largest reported since August 1934.

Conditions in continental Europe showed little change in December. Machinery activity in the Italian industry continued higher than in 1935 and 1936, largely because of the increase in export sales. Activity in France and Belgium continued irregular, and below that of the previous year.

SUPPLEMENTARY DATA

Table 1.- Exports of wool (grease and scoured combined) from Argentina and Uruguay to principal consuming countries, first 3 months of season, October 1 to December 31, 1936 and 1937

Country of destination	Argentina		Uruguay		Total	
	1936	1937	1936	1937	1936	1937
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
United Kingdom	25.4	9.9	7.5	4.7	32.9	14.6
Germany	3.7	9.1	4.7	5.7	8.4	14.8
France	8.4	6.6	1.3	0.6	9.7	7.2
Italy	2.3	0.8	1.3	0.3	3.6	1.1
Belgium	5.4	2.0	2.8	0.5	8.2	2.5
Netherlands	0.5	0.2	0.8	0.2	1.3	0.4
Japan	11.0	1.1	11.1	---	22.1	1.1
United States	19.3	1.6	9.8	1/	29.1	1.6
Total	76.0	31.3	39.3	12.0	115.3	43.3
Other countries	3.9	2.4	0.7	0.3	4.6	2.7
Grand total	79.9	33.7	40.0	12.3	119.9	46.0

Trade reports supplied by Buenos Aires Office of the Bureau of Agricultural Economics.

1/ Less than 55,000 pounds.

Table 2.- Price of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38

Market and description	Average 1936	Average 1937	1937 Jan.	1937 Nov.	1937 Dec.	1938 Jan.
Boston:	Cents	Cents	Cents	Cents	Cents	Cents
Territory combing scoured basis-						
64s, 70s, 80s, (fine)	92.0	101.9	114.0	85.9	80.9	77.4
56s, (3/8 blood)	80.4	87.1	98.8	72.0	64.2	63.4
46s, (low 1/4 blood)	65.9	72.1	82.1	60.6	56.0	55.5
United States: Farm price, 15th of month, grease basis	26.9	30.4	31.3	26.0	23.6	21.6
London: 1/						
Average quality, clean cost 2/:						
70s	58.4	62.1	64.4	47.6	46.6	45.3
56s	35.1	46.3	49.5	35.4	34.6	33.6
46s	23.8	39.5	39.3	29.7	30.2	29.7
Bradford: 3/						
Scoured basis -						
64s warp	59.8	64.7	69.5	51.1	52.0	46.8
50s	29.7	43.2	44.9	31.3	32.3	33.3
Australia:						
Average price at all selling centers, greasy wool 4/ ...	23.0	24.7	31.6	21.5	22.0	
Sydney (Delivered Bradford) 5/:						
70s warp, clean basis	10/62.9	10/67.5	73.9	57.7	57.8	11/54.2
Union of South Africa:						
Average export price, greasy wool	21.4	25.1	28.3	22.2	20.1	
Price at selling centers 6/						
70s warp, clean cost	10/60.5	10/63.4	69.7	53.1	53.4	12/52.6
Argentina:						
Buenos Aires market						
Buenos Aires, South and Southeast coarse crossbred greasy -						
32s - 50s	13/15.64	---	23.0	No quotation	17.2	
Uruguay:						
Montevideo market						
Fine crossbred, greasy -						
50/56s - 60s	34.22	14/39.81	42.96	---	27.52	
Coarse crossbred			32.22		21.43	
United States:						
Textile fibers -						
Wool, territory fine staple 7/.....	92.0	101.9	114.0	85.9	80.9	77.4
Cotton, 7/8 Middling 8/...	11.9	11.2	12.8	7.8	8.2	8.5
Silk, Japanese 13-15 9/...	176.6	186.0	205.1	164.8	157.5	
Rayon yarn - 150 denier ...	58.6	62.2	60.0	63.0	63.0	

Continued -

Table 2.- Price of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38 - Continued

Foreign prices have been converted at prevailing rates of exchange.
Yearly averages are averages of monthly prices.

1/ Average of quotations for each series of London sales reported by the London Office of the Bureau. For months when no sales were held figures are interpolated.
2/ Top and noil in oil.
3/ Quotations reported about the 25th of the month by the London Office of the Bureau. 4/ National Council of Wool Selling Brokers.
5/ Wool Record and Textile World, Bradford.
6/ South Africa Ministry for Agriculture. 7/ Scoured basis, Boston market.
8/ Average at 10 markets. 9/ 78 percent white, at New York.
10/ Average for months of regular selling season. 11/ Week ended January 8.
12/ Week ended January 15. 13/ 10-month average.
14/ 5-month average - only months quoted.

Table 3.- Exports of wool (grease and scoured combined) from Australia and the Union of South Africa first 6 months of season, July 1 to December 31, 1936 and 1937

Country of destination	Australia		Union of South Africa		Total	
	1936	1937 1/	1936	1937	1936	1937
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
United Kingdom	200.4	169.0	12.9	16.1	213.3	185.1
Germany	21.6	29.0	11.8	33.5	33.4	62.5
France	52.2	75.0	20.3	17.5	72.5	92.5
Italy	14.1	22.0	4.2	4.9	18.3	26.9
Belgium	83.8	49.0	9.4	9.4	93.2	58.4
Netherlands	7.6	4.0	2/	2/	7.6	4.0
Japan	0.3	18.0	38.7		39.0	18.0
United States	41.6	3.0	2.3	0.2	43.9	3.2
Canada	1.7	2.0	2/	2/	1.7	2.0
Total	423.3	371.0	99.6	81.6	522.9	452.6
Other countries	23.8	23.1	3.7	4.4	27.5	27.5
Grand total	447.1	394.1	103.3	86.0	550.4	480.1

Wool Intelligence Notes and Yorkshire Observer.
1/ Statistics of the National Council of Wool Selling Brokers converted from bales by using the latest average weight per bale reported, which is for the period July 1 to November 31, 1937.
2/ If any, included with "other countries".

Table 4.- United States: Wool imports, consumption and machinery activity, specified periods, 1936 and 1937

Item	Jan. - Dec. 1936	Jan. - Dec. 1937	Dec. 1936	Nov. 1937	Dec. 1937
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption, actual weight 1/-					
Apparel	110,712	150,160	12,662	3,802	2,780
Finer than 40s	84,759	126,601	9,545	2,996	2,417
Not finer than 40s	25,953	23,559	3,117	806	363
Carpet, including camels hair	143,276	172,091	15,926	6,220	3,189
Consumption, scoured basis 2/-					
Weekly average -					
Apparel	5,351	4,783	6,962	2,651	2,605
Carpet	2,029	2,023	2,839	682	714
Aggregate -					
Apparel	278,258	248,715	27,348	10,604	10,419
Carpet	105,504	105,196	11,356	2,730	2,857
	Percent	Percent	Percent	Percent	Percent
Machinery activity 2/ - (40-hour shift)					
Worsted combs	121.1	115.2	152.9	62.0	64.6
Worsted spindles	83.5	82.2	115.1	47.6	54.7
Woolen spindles	118.2	107.8	141.2	55.3	60.2
Looms, broad	98.9	97.2	118.9	56.1	64.7
Looms, narrow	51.9	51.0	64.7	27.1	25.2
Carpet and rug looms	68.3	71.3	82.6	35.7	38.1

Import figures from official records of the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity figures from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.

2/ Figures for November and December based on 4 weeks, January to December 52 weeks. No adjustment made for holidays.

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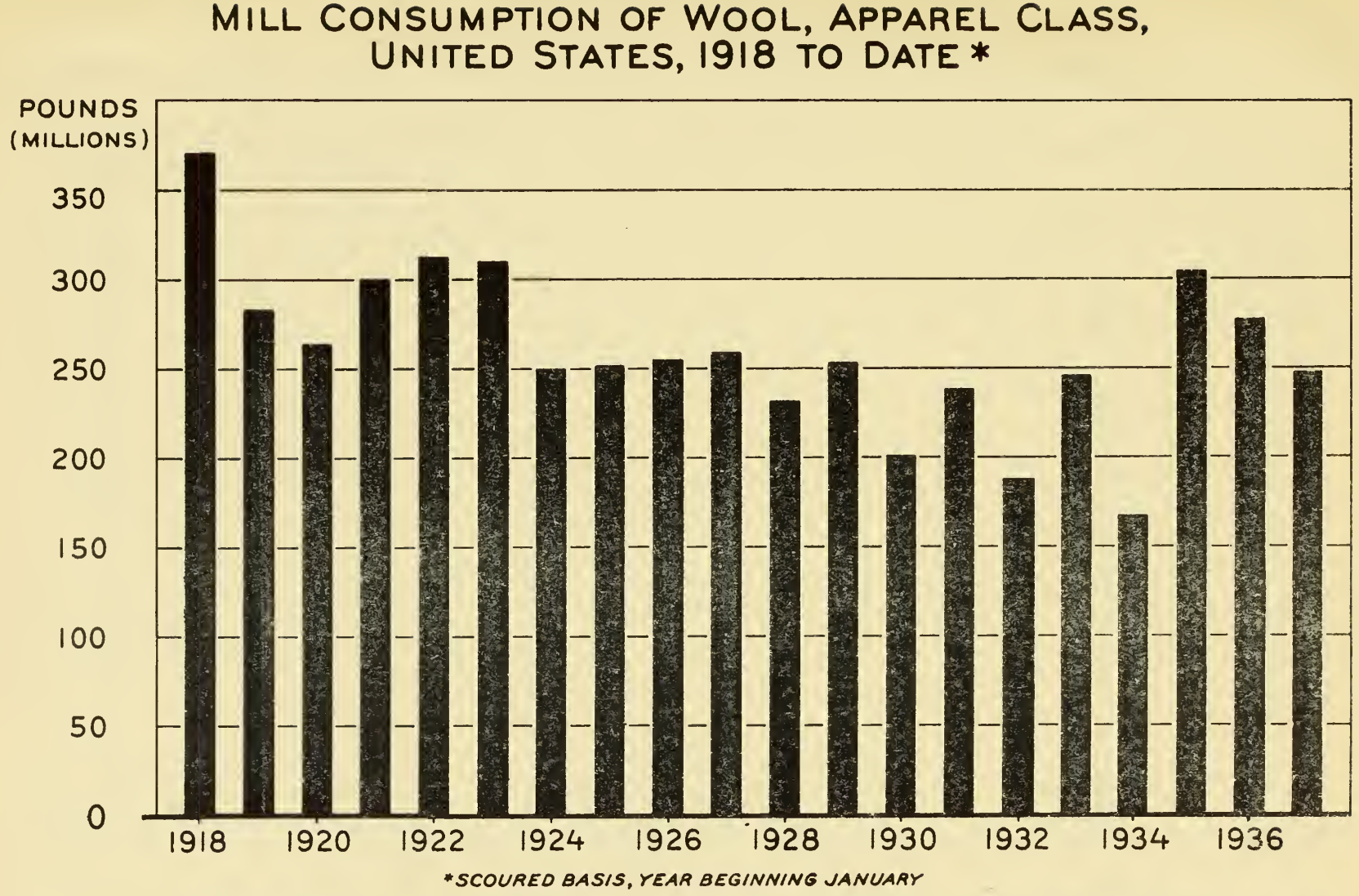

FIGURE 1.- MILL CONSUMPTION OF APPAREL WOOL IN THE 3-YEAR PERIOD 1935-37 WAS LARGER THAN IN ANY OTHER 3-YEAR PERIOD SINCE 1922-24. BUT CONSUMPTION IN 1937 WAS SMALLER THAN IN EITHER 1935 OR 1936.

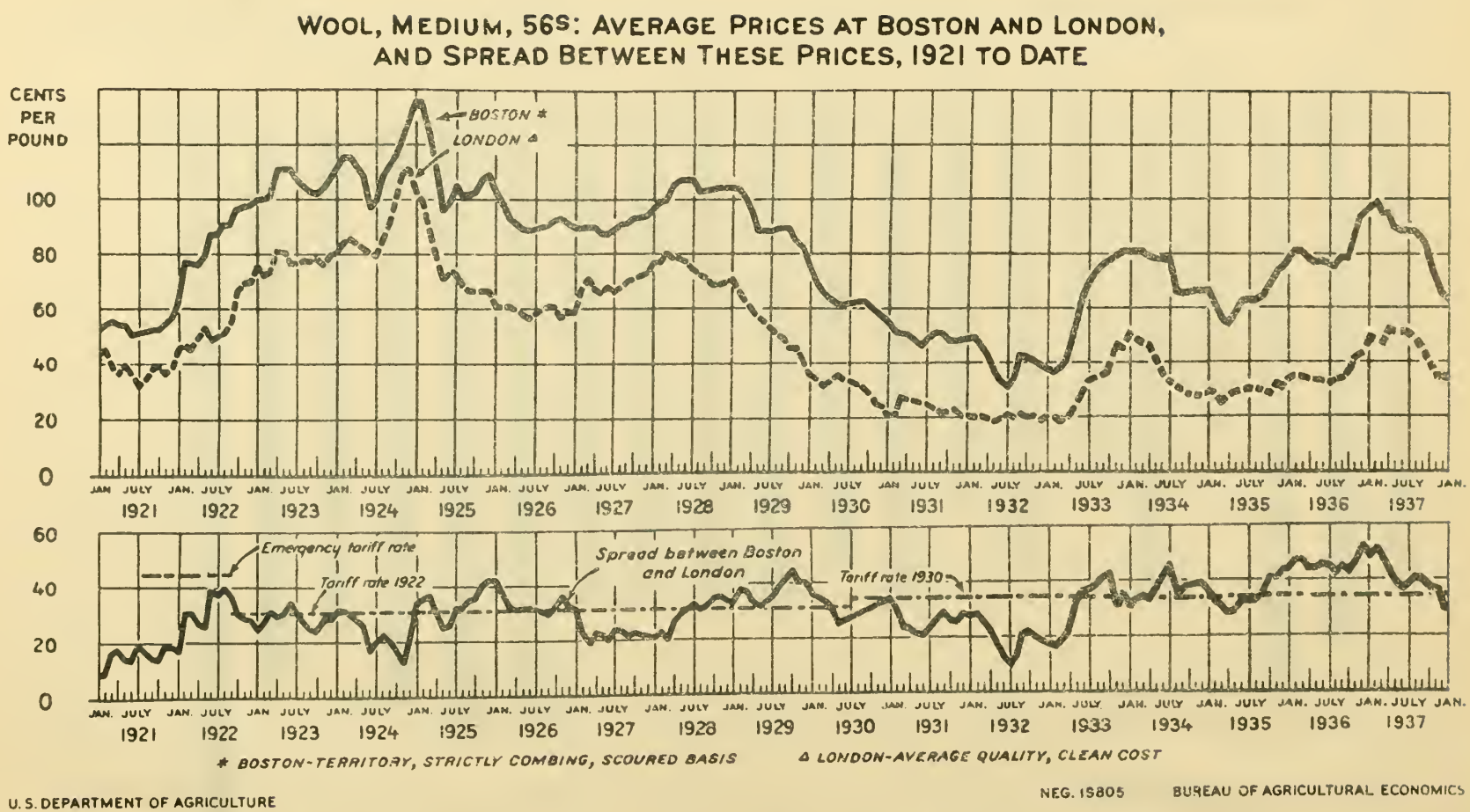

FIGURE 2.- THE DECLINE IN WOOL PRICES IN FOREIGN MARKETS IN CENTS PER POUND SINCE AUGUST HAS NOT BEEN SO GREAT AS THE DROP IN PRICES IN THE UNITED STATES. CONSEQUENTLY THE SPREAD BETWEEN DOMESTIC AND FOREIGN PRICES HAS BEEN REDUCED IN RECENT MONTHS, AND IN EARLY JANUARY IT WAS NARROWER ON MOST WOOLS, THAN AT ANY TIME IN THE PAST 2 YEARS.

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